# SITUATION ANALYSIS

***"Survey the Travel Landscape"***

**Utah Division of Travel Development**

***May 2003***

Utah!

# 18 MONTHS OF CHANGE

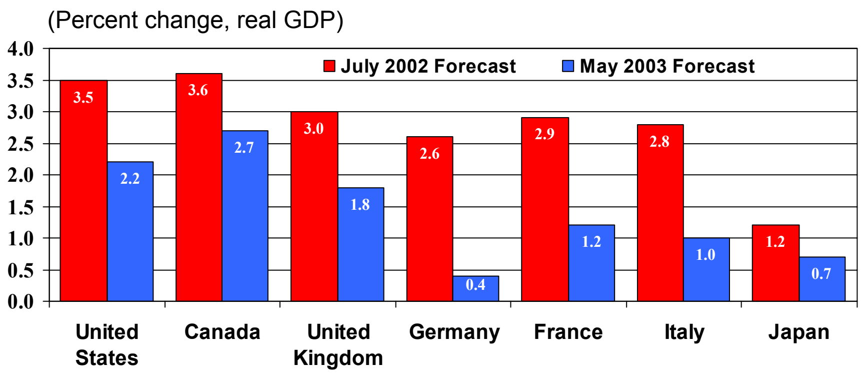
## The New Reality of Uncertainty

1) Economic Uncertainty
2) Geo-political Concerns
3) Stock Market Volatility
4) Exchange Rate Fluctuations
5) SARS Impacts
6) Industry-Specific Challenges

# DECLINING EXPECTATIONS

## 2003 FORECASTS

**"The health of the economy is the best predictor of travel demand."**




- Expected growth rates slashed in every country
- Canada, U.S., and U.K. will lead the global recovery
- Euro-Area and Japan will lag behind

SOURCE: Economist Poll of Forecasters

# TODAY'S SOCIAL CLIMATE

### *EMPOWERMENT AND CONNECTIONS*

***Recent events have driven consumers to embrace what matters most. Authenticity and substance are paramount. Effective marketers must present a message that emotionally resonates with what consumers value!***

- **Family First:** an existing trend that was strengthened after 9-11.
- **True Leisure:** make the vacation as risk free as possible, without over-promising. Help those who help themselves to leave satisfied, not frustrated.
- **My Life, My Way:** don't try to package individuality; rather, create systems and products that allow consumers to express their individuality. Be creative, embrace diversity, and drive value.
- **Look to your own Backyard:** increasing drive travel, mini-escapes, and weekend getaways make this among the most lucrative markets… and don't forget previous customers.

# IMPLICATIONS OF SOCIAL TRENDS

## HIGHLIGHTS

- Consumers want safe environments to reconnect with family, nature, and themselves
- Consumers expect options, discounts, and control, thus destinations must offer convenience, flexibility, and variety
- Consumers are searching for value (often online & through personal networks)
- Personal economics are driving travel decisions
- Consumers are placing greater emphasis on spirituality, health, and wellness
- Demographics are driving growth strategies (matures, minorities, and women)

# WHAT IT MEANS FOR TRAVEL

## HIGHLIGHTS – Economic & Social Trends

- Domestic trips up -- Overseas trips down
- Leisure travel steady/growing -- business travel sluggish
- Strong family-based travel (VFR & family-friendly places)
- Niche markets moving mainstream (adventure, cruise, spa, RV, heritage, eco/geo-tourism)
- Focus on destination uniqueness (local foods, distinctive lodging, specialty shopping, special events, cultural attractions)
- Western region offers best prospects: drive vacations, mini-escapes, and weekend getaways

# UTAH TOURISM PERFORMANCE

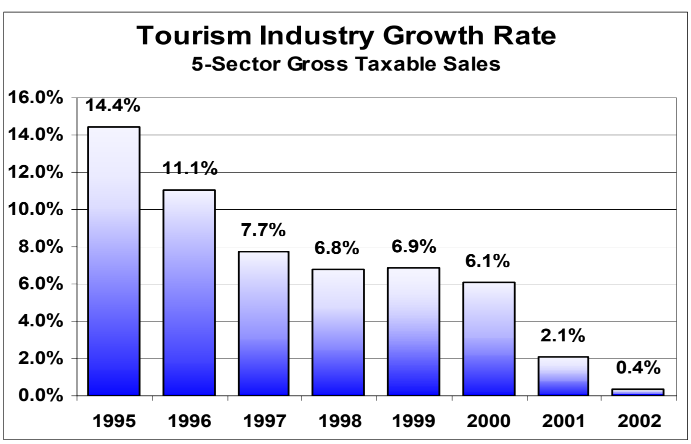
## HIGHLIGHTS – Last Year

- Strong leisure travel and a strong convention year combined with the Olympics offset declines in international and transient business travel
- Mixed performance from tourism businesses – restaurant and hotel sectors did well but airline and car rental sectors suffered large declines

| SPENDING INDICATORS – 2002 | |
|---|---|
| **INDICATOR** | **% CHANGE** |
| Total Tourism Spending (p) | 0% |
| Total Tourism-Related Taxes (p) | 0% |
| Total Tourism Employment (p) | +1% |
| Total Tourist Taxes (p) | +7% |
| Transient Room Tax (p) | +14% |
| Restaurant Tax (p) | +9% |
| Car Rental Tax (p) | -5% |
| Tourism Sector Taxable Sales (p) | 0% |
| Transportation (p) | -32% |
| Eating & Drinking (p) | +3% |
| Auto Rentals (p) | -17% |
| Hotels & Lodging (p) | +12% |
| Amusement & Recreation (p) | 0% |
| (p) = preliminary | |

SOURCE: Utah State Tax Commission, adapted by Utah Division of Travel Development

# UTAH TOURISM PERFORMANCE




- **Dramatic slowdown since beginning of economic difficulty in early 2001**
- **Further deterioration after September 11th (only quarter of growth in last 18 months was during the Olympics) – but slowly improving**

SOURCE: Utah State Tax Commission

# UTAH TOURISM PERFORMANCE

## HIGHLIGHTS – This Year

- Comparisons with 2002 difficult because of Olympic effects
- Clearly a slowdown in activity during the first 3 months of the year
- Anecdotal skier reports mixed – good destination numbers but below average local activity
- A few bright spots (St. George, Springdale, Zion NP, and Moab)

VOLUME INDICATORS
FIRST QUARTER (Jan-Mar) – 2003

| INDICATOR | % CHANGE |
|---|---|
| Salt Lake Int'l. Airport Passengers | +2.5% |
| National Parks | -3.8% |
| Nat'l. Monuments & Rec. Areas | -10.9% |
| State Parks | -50.8% |
| State Welcome Centers | -11.5% |
| Stateline Interstate Traffic | -1.7% |
| Statewide Hotel Occupancy Rate | -8.7% |
| Utah.com Website Visitors | -39.8% |

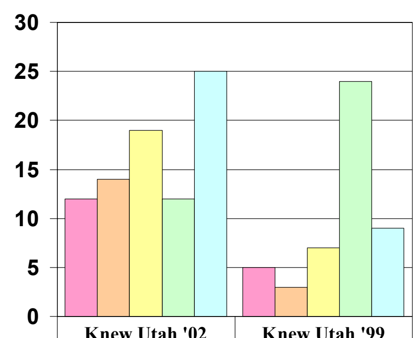
SOURCE: Compiled by Utah Division of Travel Development from Reporting Agencies

# OLYMPIC AWARENESS

## HIGHLIGHTS

- Top of mind awareness unchanged
- Olympic awareness increased
  Utah: from 1 in 10 to 1 in 6
  SLC: from 1 in 5 to 1 in 3
- Improvement greater among best prospects
  Utah: 1 in 3
  SLC: 1 in 2
- LDS Church still top image, but Utah's geography gained recognition (especially mountains)

European Awareness of Utah




| | Knew Utah '02 | Knew Utah '99 |
|---|---|---|
| Germany | 12 | 5 |
| Italy | 14 | 3 |
| Holland | 19 | 7 |
| France | 12 | 24 |
| UK | 25 | 9 |

SOURCE: 2002 Post-Olympic European Awareness Study

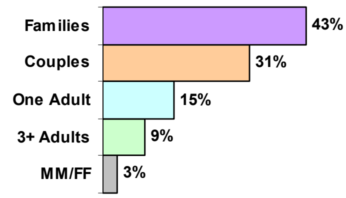
# DOMESTIC VISITOR PROFILE

## HIGHLIGHTS

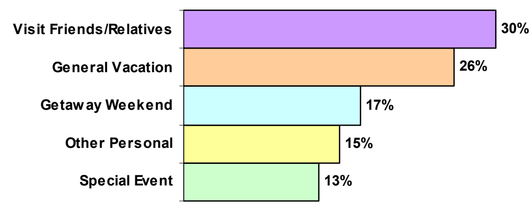
- Most common visitor is middle to upper income families from the Western U.S.
- Most travel to visit friends and family (30%) or for a general vacation (26%)
- Summer accounts for most travel (39%)
- More than ¾ are drive visitors
- Average length of stay is 3.1 nights
- More than 60% travel less than 500 miles

### Party Composition

Avg. Party Size: 3.4 Persons




### Purpose of Stay




SOURCE: 2001 Utah Overnight Leisure Visitor Profile, D.K. Shifflet & Associates, Ltd.

# DOMESTIC VISITOR PROFILE

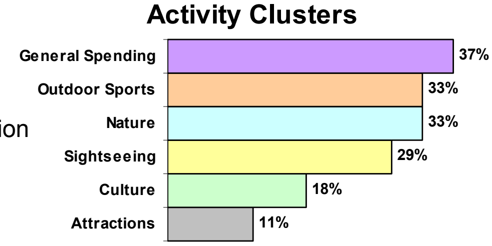
## HIGHLIGHTS

Visitors most commonly:

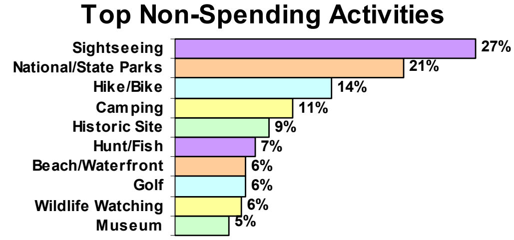
- ✓ Explore parks
- ✓ Participate in outdoor recreation
- ✓ Tour open space
- ✓ Visit historic & cultural sites
- ✓ Go to specific attractions

- Like most travelers, visitors to Utah often participate in shopping, dining, and entertainment activities
- Average visitor spends $75 per day

### Activity Clusters




### Top Non-Spending Activities

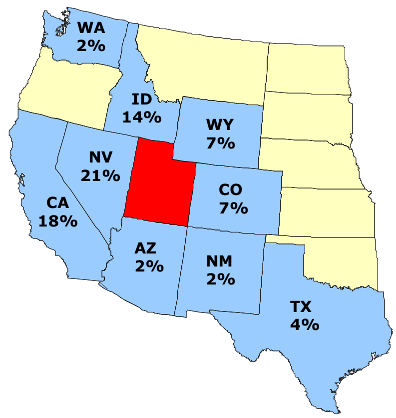



SOURCE: 2001 Utah Overnight Leisure Visitor Profile, D.K. Shifflet & Associates, Ltd.

# DOMESTIC VISITOR PROFILE

### 2001 Non-Resident Visitors Origin States

(Person-Trips)




## HIGHLIGHTS

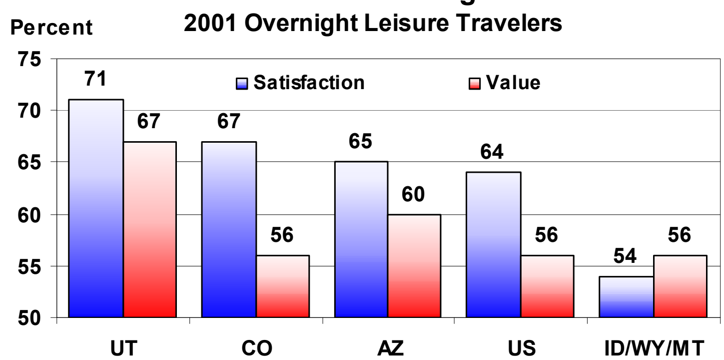
- Pacific & Mountain regions account for over 80% of Utah visitors
- Top DMAs for visitors
  - ✓ Las Vegas
  - ✓ Los Angeles, San Francisco, San Diego, Sacramento
  - ✓ Salt Lake City
  - ✓ Idaho Falls, Boise, Twin Falls
  - ✓ Denver, Colorado Springs
  - ✓ Portland

**SOURCE: 2001 Utah Visitor Profile, D.K. Shifflet & Associates, Ltd.**

# SATISFIED CUSTOMERS

### Satisfaction & Value Ratings - Excellent

**2001 Overnight Leisure Travelers**




- Utah outperforms neighboring states and the U.S. average in delivering high value and satisfaction
- Results confirmed by 2003 Utah Marketing Study – nearly 80% of travelers to Utah extremely or very satisfied with their last visit
- High satisfaction ratings leads to high repeat visitation

**SOURCE: 2001 Utah Overnight Leisure Visitor Profile, D.K. Shifflet & Associates, Ltd.**

# STRENGTHS & WEAKNESSES

## STRENGTHS

- Utah attracts more families relative to competitors
- Utah has a strong percentage of marketable visitors
- Utah gained share in long-distance travel and air-travel segments
- Despite trend towards shorter vacations, Utah increased its average length of stay by 7%

## WEAKNESSES

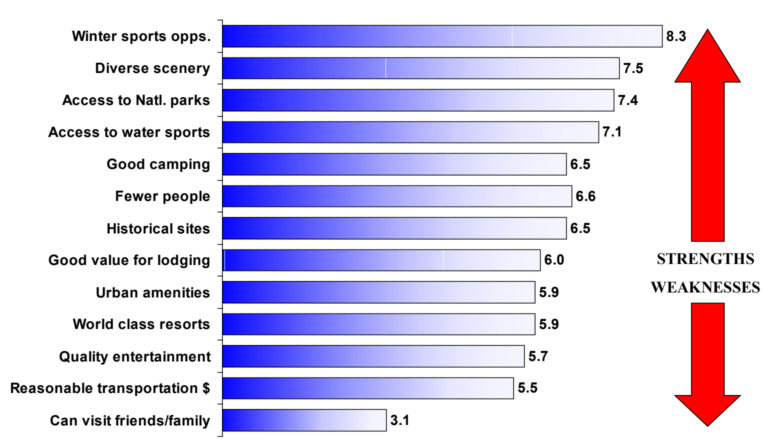
- Travelers spend consistently less in Utah than in competing destinations
- Utah attracts fewer high income visitors
- Awareness of Utah is lower than competing destinations

**SOURCE: 2001 Utah Overnight Leisure Visitor Profile, D.K. Shifflet & Associates, Ltd.**

# UTAH'S IMAGE

**How Utah's Image fits Selected Travel Attributes**
**(10-point scale)**

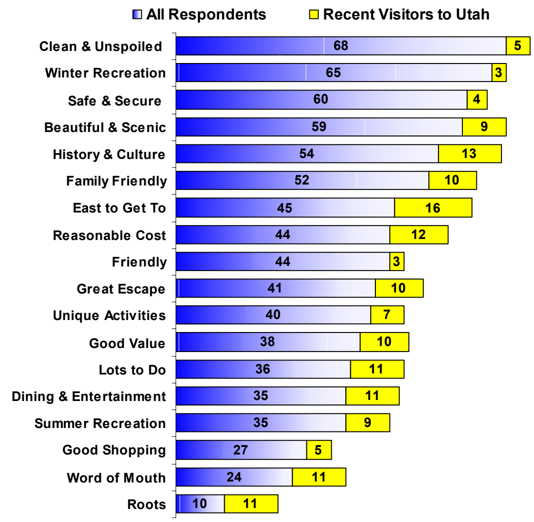
*Just based on what you currently know about the state, please tell me how well you think each phrase describes Utah.*




**SOURCE: Measuring the Impact of the Olympic Games on Utah's Image, Wirthlin Worldwide**

# UTAH'S IMAGE

### Attributes That Describe Utah




## HIGHLIGHTS

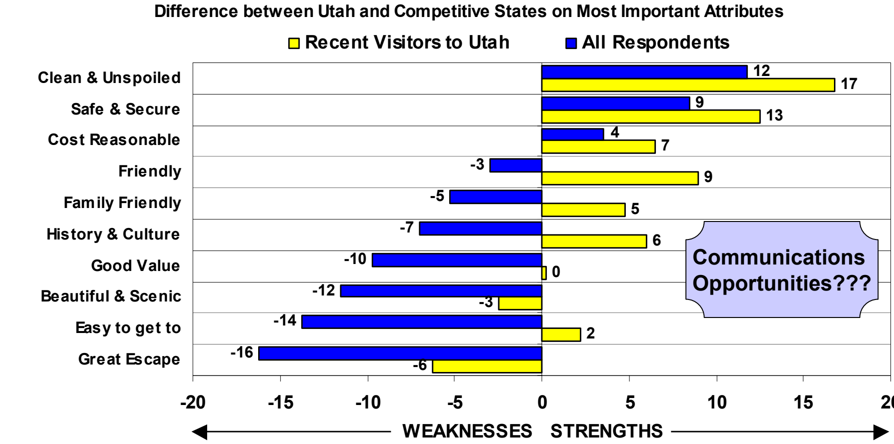
- Natural beauty, winter recreation, relative safety, and family friendly are perceived as Utah's best attributes
- Less surety regarding Utah's dining and entertainment, summer recreation, variety of activities, shopping, and popularity
- Previous Utah visitors have more positive image of the state compared to all other respondents

SOURCE: 2003 Utah Marketing Study Mid-Year Report, NFO-Plog Research

# COMPARED TO OTHER STATES

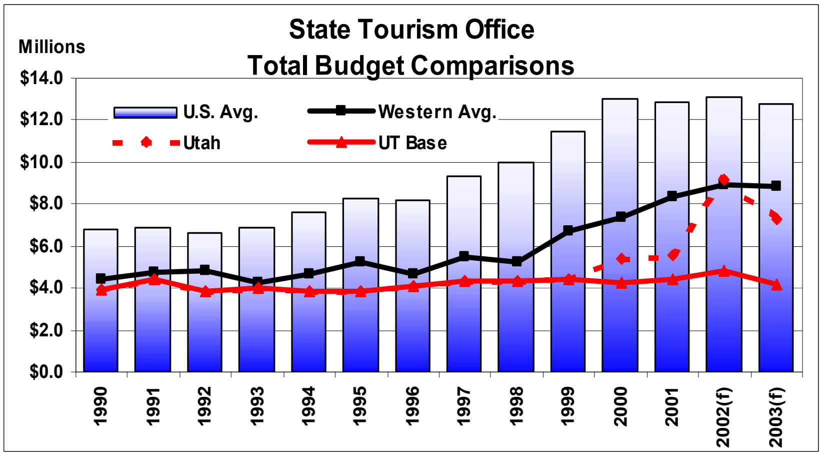
### COMPARATIVE STRENGTHS AND WEAKNESSES

Difference between Utah and Competitive States on Most Important Attributes




SOURCE: 2003 Utah Marketing Study Mid-Year Report, NFO-Plog Research

# BUDGET COMPARISONS



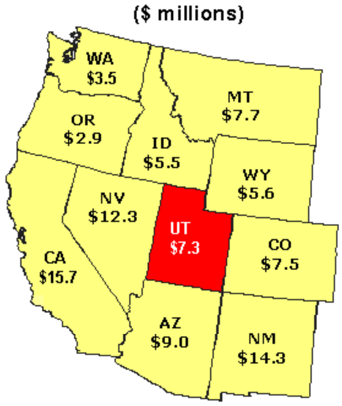

- Utah's base ranks 9th among 11 Western states
- Base budget half the Western state average and a third of U.S. average
- FY 2004 marks the end of successive one-time appropriations

SOURCE: 2003 Survey of State Tourism Offices, TIA, adapted by Utah Division of Travel Development

# BUDGET COMPARISONS

**Total State Tourism Office Budget FY 2003 (projected)**

($ millions)



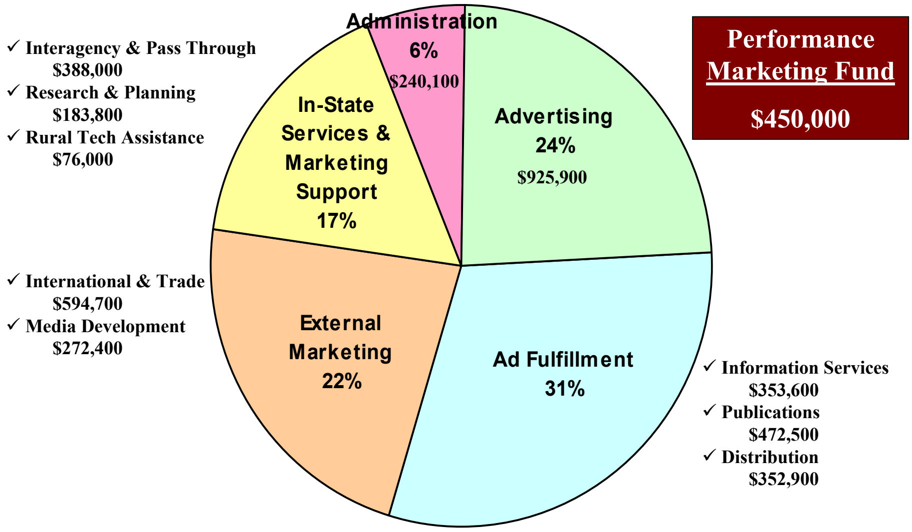

SOURCE: TIA, *Survey of U.S. State Tourism Offices*, 2002

## HIGHLIGHTS

Recent legislative activity has changed dynamics for FY 2004:

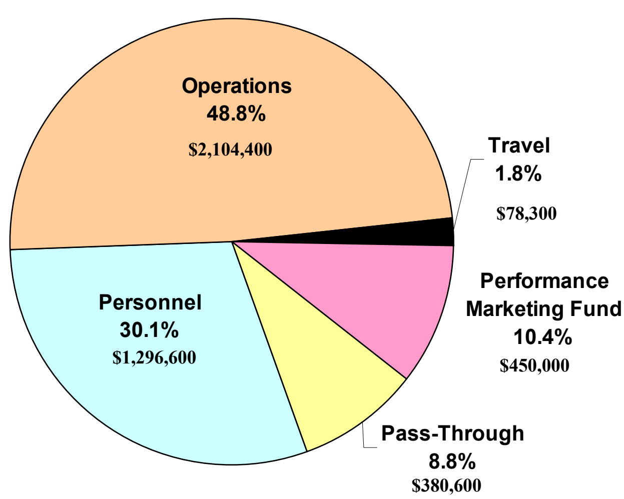
- ✓ UT – Cut to $4 million
- ✓ AZ – Proposed elimination
- ✓ CA – Proposed elimination
- ✓ CO – Additional $9 million
- ✓ NM – Additional $1-2 million
- ✓ OR – Proposed dedicated funding
- ✓ ID – Growth in dedicated funds
- ✓ MT – Growth in dedicated funds

## UTC On-Going General Fund Appropriation
## FY 2004 Base Budget Distribution




**TOTAL BASE APPROPRIATION: $3,859,900**

## Utah Division of Travel Development
## FY 2004 Budget Distribution

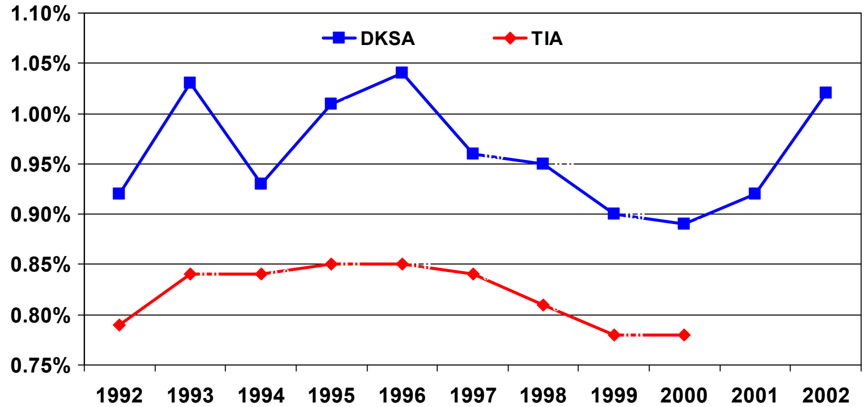



**TOTAL BASE APPROPRIATION: $3,859,900**

**PERFORMANCE MARKETING FUND: $450,000**

# MARKET SHARE

## Utah Share of U.S. Traveler Direct Spending



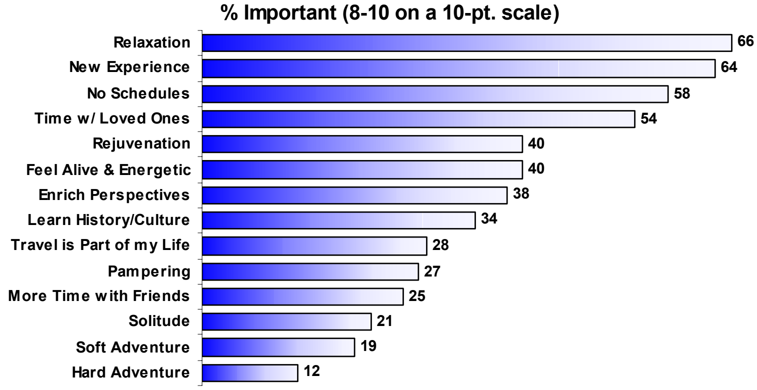

- Market share declined in late 1990s
- Improvement in 2002 an Olympic boost or sustainable increase?

SOURCE: D.K. Shifflet & Associates, Ltd. & TIA, Impact of Travel on State Economies

# TRAVELER MOTIVATIONS

## Why Travelers Like to Take Vacations

% Important (8-10 on a 10-pt. scale)




- Reinforces importance of building an emotional connection with consumer
- Confirms emotional appeal of escape, rejuvenation, and discovery

SOURCE: 2003 Utah Marketing Study Mid-Year Report, NFO-Plog Research

# What's Your Perspective?

Utah!

Where ideas connect